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MR. HOWE'S REPORT.

Halifax, February 10, 1863.

MY LORD,

Having, in conformity with the resolution adopted by the Delegates from Nova Scotia and New Brunswick, and the members of the Canadian Government, assembled at Quebec in September, been instructed by His Honor the Administrator to proceed to England to discharge the duties of the mission contemplated by that resolution, it becomes my duty to report:—

That, having communicated with the leader of the Government of New Brunswick, and ascertained that it was his intention to leave by the boat of the 17th October, I took my passage in the Europa, and we went on together, reaching London about the end of the month.

The Delegates from Canada, who it was assumed would come over direct from the St. Lawrence, were not expected for a week after; and we thought it only respectful to wait their arrival, before communicating with the public departments. The next mail from Canada brought me a note from the Honorable Mr. Sicotte, dated at Quebec 24th October, informing me that the Delegates had taken their passages, but had been unexpectedly delayed by some difficulty arising out of the militia question, on the morning of their expected departure, but that they would come on in the next boat, and hoped to join us during the following week.

Under these circumstances, I thought it proper to write to the Duke of Newcastle on the 8th November, informing His Grace that Mr. Tilley and myself were in London—that the Canadian Delegates had been unexpectedly delayed, and leaving it for His Grace to determine whether or not we should wait upon him before their arrival.

We were honored by an interview on the 13th November, and discussed, informally, the resolutions adopted by the Conference at Quebec, and the objects of our mission generally. His Grace appeared, as he had done in 1861, to enter heartily into the views and policy of the Colonial Governments in respect to the Intercolonial Road—thought the questions, to be adjusted, were of so much delicacy and importance, that a Delegation could not have been avoided, if there was to be legislation this winter; and pledged to us his cordial co-operation and aid, a pledge which was amply redeemed.

On the 17th November, the Honorable L. V. Sicotte, Attorney General of Canada East, and the Honorable W. P. Howland, Finance Minister, arrived. They paid their respects to the Colonial Secretary on the following day, and the Delegates, after mutual consultation, then commenced the business of their mission in due form.

Though the Colonial Secretary was suffering from severe illness, the Delegates were honored with several interviews, and explained to His Grace the reasons upon which all the resolutions adopted at Quebec were founded, and discussed with him all the questions which came within the purview of his own department; and I am happy to be able to report, that we ultimately obtained His Grace's cheerful acquiescence in all that had been done, and his suggestions as to the best mode of adjusting those questions which naturally came under the control of the Lords Commissioners of the Treasury.

As His Grace's presence in town was no longer necessary, it was arranged that Mr. Howland and Mr. Tilley, the Finance Ministers of their respective Provinces, should discuss those questions with Mr. Hamilton, Mr. Anderson of the Treasury; and that Sir Frederic Rogers, Under Secretary of

State for the Colonies, should form the medium of communication between the Secretary of State and the Delegates, if it became necessary to invoke his Grace's further interference.

Messrs. Howland and Tilley had several interviews with the gentlemen at the Treasury; and, subsequently, all the Delegates met Messrs. Hamilton and Anderson, and discussed with them at large the important questions involved in the guarantee. It was arranged, to our entire satisfaction, that the money should be borrowed by the British Government, and paid over to the Provinces, without any charge for brokerage or commission, other than the ordinary expenses which the British Government are required to pay. This was a very important concession, calculated to save a very large amount of commissions, which would have been lost, had we been left to borrow the money and manage the loan ourselves. Whether the debentures were to bear an interest of 3½ or 4 per cent was left an open question; but it was understood that whatever the rate, the Colonies were to get the benefit of all the money realized, either in the form of principal or premium. On this point we had nothing more to ask.

On another, of equal importance, we were met in a spirit so liberal, as to leave us nothing to desire. The Treasury proposed to give us forty years to repay the loan, by instalments to fall due at decennial periods; and the sums to be repaid at the end of the first two decades were so moderate (£250,000 at the end of ten, and £500,000 at the end of twenty years), as to bring them quite within the compass of the accumulating revenues of all the Provinces.

Upon one point only did there seem to be any difficulty, the question of a sinking fund; and that appeared of sufficient importance to warrant us in seeking an interview with the Right Honorable the Chancellor of the Exchequer. Mr. Gladstone answered our application promptly, received us graciously, and discussed with us the whole subject in a spirit at once frank and conciliatory.

The Chancellor admitted the national character of the work, and the strong claims of the Colonies; but informed us that a guaranteed loan, uncovered by a sinking fund, was a novelty in British legislation;—that it was opposed to the principles he had always advocated, and to the invariable practice of the House of Commons. That the whole stream of precedents was against us, except in the single case of the Turkish loan, which was in the nature of a war subsidy, granted to enable the Sultan to place his army in the field at the outbreak of the Crimean war, and very amply secured. He assured us, that, even if the Cabinet could be got to consent to take down to Parliament a measure without the accustomed provision, they would be outvoted and the measure lost. Under those circumstances, although we exhausted all the arguments which naturally occur to the Colonial mind, they failed to shake the Chancellor's strong conviction, and it was evident that we must accept the guarantee, upon the only terms on which it could be given, or abandon all hopes of being able to accomplish the work.

Assuming, therefore, that provision for a sinking fund must accompany the guarantee, it appeared to be sound policy to endeavor to get the stipulation so modified as to render it but lightly burdensome. It was apparent to us all, that if, in addition to the interest to be paid, the Provinces were expected to accumulate, from the commencement of the work, a sinking fund, to be invested in three per cent consols, while money was worth, at least, six per cent in North America, that a large amount of interest would be lost, and that the burthen would be greater at the outset, and before the road was opened, than the Provinces could bear. In this view of the case all the delegates concurred, and, had not the proposition been modified, we should all, perhaps, have abandoned the negotiation.

We stated to the Chancellor, that there was a mode by which the requirements of Parliament would be met, and yet by which the Provinces might be enabled to assume the burthen. It would take four years to build the road, and, at least six more to people the wilderness, through which a large

portion of it was to pass. It was unreasonable, therefore, to expect us to begin to repay the money until the object for which it had been borrowed was accomplished. But, if ten years were allowed to elapse before any sinking fund attached, within that period the road would be built, the wilderness peopled, and the population of all the Provinces would be largely increased. They would be enlivened by the animating influences of the work itself, and would, in 1874, be in a condition to bear up buoyantly under obligations, which, in 1864, it might be perilous to assume.

We also pointed out the positive loss which must be entailed upon the Provinces, should they be compelled to invest an accruing sinking fund in the three per cents: and suggested that, as it accumulated, after the end of the first ten years, we should be permitted to invest it in bonds of any of the Colonies, bearing six per cent, or in any other securities, to be approved by Her Majesty's Government.

Upon neither of these points was Mr. Gladstone prepared to give us an answer. He said they were new to him, and he would reflect upon them, with every desire to meet our wishes, if he could; but, being new and very important, he must not be asked to decide without consideration.

On leaving the Chancellor's residence, I felt that the whole matter turned upon the concession of these two points. If they were conceded, the sinking fund was shorn of its terrors, and I was prepared to accept the proposition. If they were not yielded, then I was prepared, so far as Nova Scotia was concerned, to have closed the negotiation. Mr. Tilley took precisely the same view of our position. We hoped that we could carry both. The Canadian delegates were less sanguine. They believed that, after long delay, the decision would be against us on both, and that the whole negotiation would be ultimately unsuccessful. In this belief they left London for a short visit to Paris, Mr. Tilley and I being free to obtain these concessions, if we could.

We at once put ourselves again in direct communication with His Grace the Duke of Newcastle, and made it clear to His Grace, that, in our judgments, the whole negotiation hung upon these two points. Our views were communicated to the Chancellor of the Exchequer, and, on the following day, we had the satisfaction to learn from His Grace that both points had been yielded by Mr. Gladstone.

As the negotiations were now virtually brought to a close, and Mr. Tilley was anxious to return home by the steamer from Liverpool on Saturday, 14th December, we arranged with Sir Frederic Rogers that the propositions, as they were now mutually understood, should be sent to us in form—that Mr. Tilley would then accept the guarantee in an official letter, leaving me to do the same, if, on the return of the Canadian Delegates from Paris, they were still dissatisfied, and indisposed to join in such a letter as, in my judgment, was required to meet the case.

The following Treasury Minute was sent to us by Sir Frederic Rogers on the 13th December:

(COPY.)

It is proposed—

1. That Bills shall be immediately submitted to the Legislatures of Canada, Nova Scotia and New Brunswick, authorizing the respective Governments to borrow £3,000,000 under the guarantee of the British Government, in the following proportions: Five-twelfths, Canada; three and a half-twelfths, Nova Scotia; three and a half-twelfths, New Brunswick.

2. But no such loan to be contracted on behalf of any one Colony until corresponding powers have been given to the Governments of the other two Colonies concerned, nor unless the Imperial Government shall guarantee payment of interest on such loan until repaid.

3. The money to be applied to the completion of a railway connecting Halifax with Québec, on a line to be approved by the Imperial Government.

4. The interest to be a first charge on the consolidated revenue funds of the different Provinces, after the Civil List and the interest of existing debts; and, as regards Canada, after the rest of the six charges enumerated in the 5th and 6th Victoria, Cap. 118, and 3rd and 4th Victoria, Cap. 35 (Act of Union).

5. The debentures to be in series as follow, viz.: £250,000 to be payable ten years after contracting loan; £500,000, twenty years; £1,000,000, thirty years; £1,250,000, forty years. In the event of the debentures, or any of them, not being redeemed by the Colonies at the period when they fall due, the amount unpaid shall become a charge on their respective revenues, next after the loan, until paid. The principal to be repaid as follows:

1st Decade. (say 1863 to 1872 inclusive)—£250,000 in redemption of the first series, at or before the close of the first decade from the contracting of the loan.

2nd Decade. (say 1873 to 1882 inclusive)—A sinking fund of £40,000, to be remitted annually, being an amount adequate, if invested at 5 per cent compound interest, to provide £500,000 at the end of the decade, the sum to be remitted annually to be invested in the names of trustees in Colonial securities of any of the three Provinces prior to or forming part of, the loan now to be raised, or in such other Colonial securities as Her Majesty's Government shall direct, and the then Colonial Governments shall approve.

3rd Decade. (say 1883 to 1892 inclusive)—A sinking fund of £80,000, to be remitted annually, being an amount adequate, if invested at 5 per cent compound interest, to provide £1,000,000 at the end of the decade, the amount, when remitted, to be invested as in the case of the sinking fund for the preceding decade. This amount, when remitted, to be invested as in the preceding decade.

4th Decade. (say 1893 to 1902 inclusive)—A sinking fund of £100,000, to be remitted annually, being an amount adequate, if invested at 5 per cent compound interest, to provide £1,250,000, being the balance of the loan at the end of the decade.

Should the sinking fund of any decade produce a surplus, it will go to the credit of the next decade, and, in the last decade, the sinking fund will be remitted or reduced accordingly.

It is, of course, understood that the assent of the Treasury to these arrangements pre-supposes adequate proof of the sufficiency of the Colonial revenues to meet the charges intended to be imposed upon them.

6. The construction of the Railway to be conducted by five commissioners, two to be appointed by Canada, one by Nova Scotia, and one by New Brunswick. These four to choose the remaining commissioner.

7. The preliminary surveys to be effected at the expense of the Colonies, by three engineers, and other officers nominated, two by the commissioners, and one by the Home Government.

8. Fitting provision to be made for the carriage of troops, &c.

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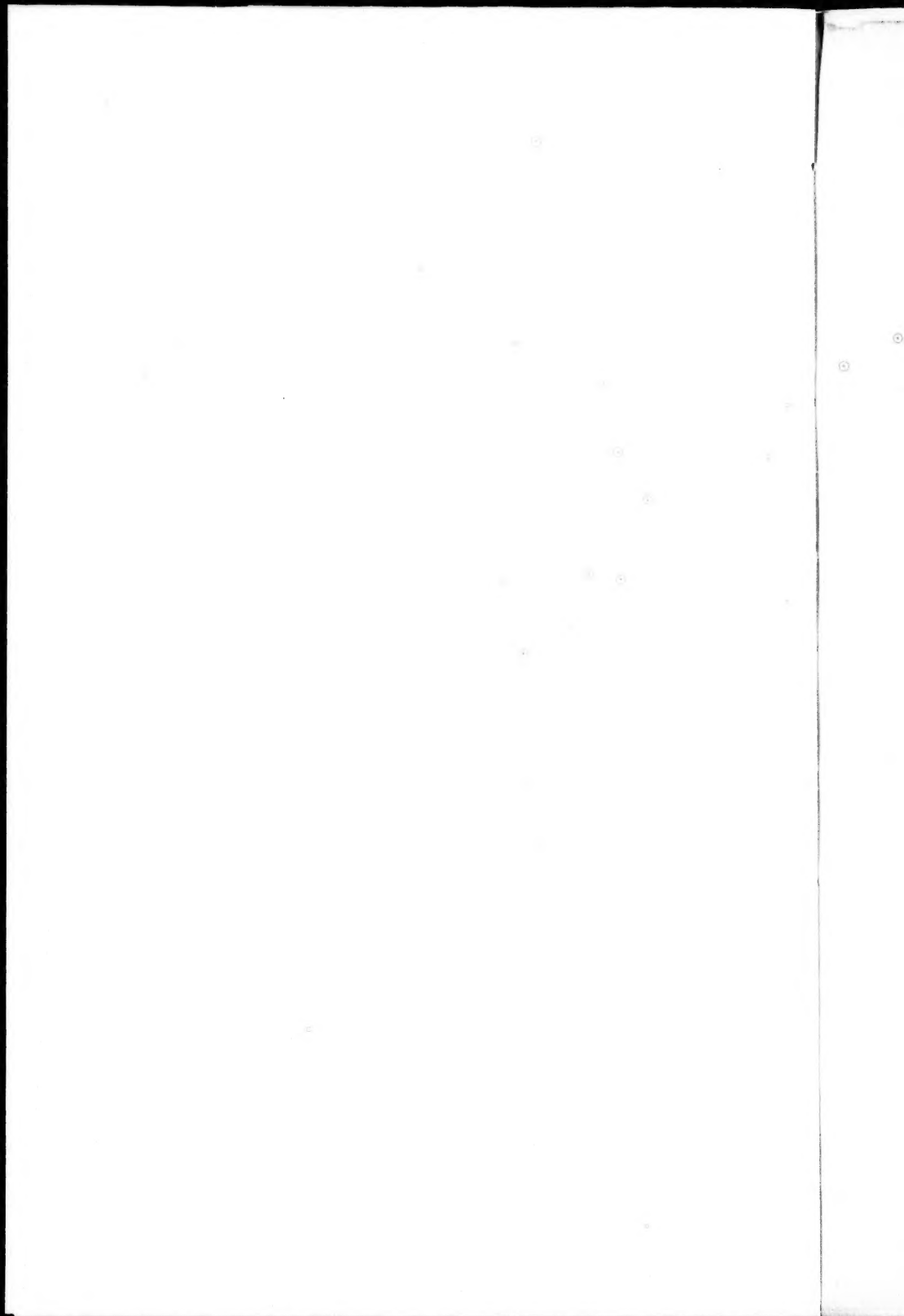
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Parliament not to be asked for this guarantee until the line and surveys shall have been submitted to, and approved of by, Her Majesty's Government, and until it shall have been shown to the satisfaction of Her Majesty's Government that the line can be constructed without further application for an Imperial guarantee.

(COPY.)

Canada, New Brunswick, and Nova Scotia Inter-colonial Railway Loan.

	1st Decade.	2nd Decade.	3rd Decade.	4th Decade.
CANADA.				
To pay annually for Interest.....	50,000	45,833½	37,500	20,833½
At the end of the first ten years a principal sum of.....	104,583½			
And after the first ten years a sinking fund per annum.....		16,666½	33,333½	41,666½
Per annum.....	50,000	62,500	70,833½	62,500
And at the end of first ten years a principal sum of.....	104,583½			
NEW BRUNSWICK.				
To pay annually for interest.....	35,000	32,083½	26,250	14,583½
At the end of the first ten years a principal sum of.....	72,708½			
And after the first ten years a sinking fund per annum.....		11,666½	23,333½	29,166½
Per annum.....	35,000	43,750	49,583½	43,750
And at the end of the first ten years a principal sum of.....	72,708½			
NOVA SCOTIA.				
To pay annually for interest.....	35,000	32,083½	26,250	14,583½
At the end of the first ten years a principal sum of.....	72,708½			
After the first ten years a sinking fund per annum.....		11,666½	23,333½	29,166½
Per annum.....	35,000	43,750	49,583½	43,750
And at the end of the first ten years a principal sum of.....	72,708½			

On receipt of this paper Mr Tilley addressed the following letter to Sir Frederic Rogers :

London, 13th December, 1862.

DEAR SIR,—

As I must return home by this night's mail, Mr. Howe and I have anxiously conferred upon the subject of the Treasury Minute read to us this morning. It accurately describes the terms proposed to the delegates in the various interviews with which we have been honored by His Grace the Colonial Secretary and the Right Honorable the Chancellor of the Exchequer.

As I understand the matter, the delegates have obtained the assent of Her Majesty's Government to every proposition they have submitted, and there is no difference of opinion except as to the single point of the Sinking Fund.

As the Intercolonial Railroad is a work in which the Imperial and Colonial Governments are assumed to have a joint interest—as, in the Provinces, we regard it as indispensable to national defence, and to the transportation to this country, in winter, of breadstuffs in case war with the United States should ever arise, I hope that Mr. Gladstone may be induced to reconsider the matter of the Sinking Fund, and that the Cabinet may be enabled to convince Parliament that, under all the circumstances of this peculiar case, a Sinking Fund should not be insisted upon. But if it is—Mr. Gladstone having consented that the Sinking Fund may be invested in our own or other colonial securities—I will not assume the responsibility of perilling or delaying this great enterprise, by rejecting what the Chancellor of the Exchequer and the Cabinet may regard as an indispensable condition.

I have the honor to be, dear Sir,

Yours truly,

(Signed)

S. L. TILLEY.

SIR FREDERIC ROGERS.

Mr. Tilley left London on the 13th December. Messrs. Sicotte and Howland returned early in the following week. To my infinite regret, though nearly all that we had asked had been conceded, and though the single point which had not been yielded was the one which we had been assured Parliament could not yield, and a persistent demand for which must be fatal to the negotiation, still the Canadian Delegates appeared to be indisposed to agree to anything which should bind them or the Government they represented to accept the only terms which Her Majesty's Government assured us they could obtain. Having satisfied myself that the views of each delegation must be expressed in a separate paper, I read the following letter to Messrs. Sicotte and Howland, as the expression of my own, and sent it to Sir Frederic Rogers on the 19th December:

(COPY.)

No. 10, Sackville Street, 19th December, 1862.

DEAR SIR,

Messrs. Sicotte and Howland returned from Paris yesterday. I showed them the Treasury Minute, and discussed with them the whole subject which it covers. They will address to you, or to His Grace the Duke of Newcastle, their views, in a separate paper. Nothing remains for me, therefore, but, on the part of the Government of Nova Scotia, to accept the

terms proposed, as the best that, under all the circumstances, and after full discussion, can be had.

I concur fully in all that Mr. Tilley has said, or that Messrs. Sicotte and Howland may say, on the subject of the sinking fund. It will give trouble, and must lose us some interest, however skilfully managed. I still hope that Parliament may be induced to rely upon the honor and the ample revenues of the Provinces, for the prompt payment of the instalments, as they become due; but, if that cannot be done, Her Majesty's Government having conceded every other point that we urged, I shall be quite prepared to submit the measure to my colleagues, with my strong recommendation that it be sanctioned by legislation, at the approaching session.

In closing this negotiation, which has run over two years, I am quite sure that I express the feelings of all the gentlemen who have been associated with me, when I ask you to convey to His Grace the Duke of Newcastle, our acknowledgements of the urbanity, patience, and readiness of access, by which we have been enabled to discuss this great subject, in all its bearings, with the utmost freedom. To His Grace's hearty co-operation, and personal influence with the Cabinet, the Provinces will largely owe the success of the elevated Colonial policy which it has been the object of our missions to urge.

Believe me,

My dear Sir,

Very truly yours,

(Signed)

JOSEPH HOWE.

SIR FREDERIC ROGERS.

This letter was thus acknowledged:

Downing Street, 31st December, 1862.

SIR,—

I am directed by the Duke of Newcastle to acknowledge the receipt of your letter of the 19th of this month, and to acquaint you that it is gratifying to His Grace to learn that the negotiations which have taken place on the subject of the Intercolonial Railway, have been conducted in a manner satisfactory to the delegates sent to England by the Governments of the North American Provinces.

I am, Sir,

Your obedient servant,

FREDERIC ROGERS.

THE HONBLE. JOSEPH HOWE.

The final answer of the Canadian Delegation was not sent in until after I left London. A copy of it has been asked for by telegraph, and promised. In a few days I presume that it will be forwarded, with some official intimation as to the nature of the policy to be pursued by the Government of Canada.

I have the honor to be,

My Lord,

Your Excellency's most obedient,

Very humble servant,

JOSEPH HOWE.

His Excellency,

The Right Honorable,

THE EARL OF MULGRAVE.

&c. &c. &c. &c.